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South Africa, Republic of

Tobacco and Products

Annual

2005

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Report Highlights:

South Africa currently produces only flue- and air-cured tobacco. The 2005 crop now being harvested is estimated at 24,700 tons, compared to the 31,000 tons produced in 2004. Domestic consumption amounts to about 33,000 tons. Cigarette consumption varies between 23 and 29 billion annually, influenced by high taxes and strict anti-tobacco legislation.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Pretoria [SF1]

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Summary

Only two types of tobacco are produced in South Africa: Flue cured, which is used mainly for cigarettes; and Air cured, which is mainly used in pipe tobacco, snuff and blends.

Flue cured production has dropped to about 21 million kg. after 33 million kg. were still produced in 2003. About 40% to 45% of the crop is used for local consumption and the balance exported to a variety of markets.

Air cured production has dropped from 4.7 million kg. in 2003 to 3.55 million kg. in 2005.

The latest estimate for the total 2005 crop, currently being processed, is 24,700 tons farm sales weight compared to the 31,400 tons produced in 2004. The decrease is due to a cutback in area planted brought about by disappointing producer prices. Prices are depressed because the strong SA Rand lowers the import prices of competitive products from other sources. The situation is not that simple as manufacturers struggle to maintain blends traditionally based on Zimbabwean flue cured tobacco. Domestic consumption has dropped to about 33,000 tons annually. With the big carryovers of maturing tobacco and lively international trade, the smaller crop does not constitute a major problem.

Cigarette consumption now varies between 23 and 25 billion annually, a third down in ten years. Taxes constitute about 50% of the retail price making tax avoidance, smuggling and counterfeiting profitable. Ant-tobacco legislation is harsh.

Sources:

www.tobaccosa.co.za

www.batsa.co.za

US Dollar 1 = Rand 6.05 (04/28/05).

Tobacco, raw

Country	South Africa					
Commodity	Tobacco, Total					
Hectares	2003	Revised	2004	Estimate	2005	Forecast
Metric tons	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin	01/2003			01/2004		01/2005
Area Planted	13620	13620	11500	11500	0	9095
Beginning Stocks	30490	30490	43395	43395	42900	60925
Farm Sales Weight Prod	37402	37402	31005	31005	0	24730
Dry Weight Production	33660	33660	27905	27905	0	22250
U.S. Leaf Imports	116	117	100	517	0	225
Other Foreign Imports	29744	29743	24500	38078	0	30000
TOTAL Imports	29860	29860	24600	38595	0	30225
TOTAL SUPPLY	94010	94010	95900	109895	42900	113400
Exports	16715	16715	19500	15470	0	16000
Dom. Leaf Consumption	14500	17500	14400	13650	0	12900
U.S. Leaf Dom. Consum.	100	100	100	500	0	200
Other Foreign Consump.	19300	16300	19000	19350	0	19900
TOTAL Dom. Consumption	33900	33900	33500	33500	0	33000
TOTAL Disappearance	50615	50615	53000	48970	0	49000
Ending Stocks	43395	43395	42900	60925	0	64400
TOTAL DISTRIBUTION	94010	94010	95900	109895	0	113400

Production

South Africa's tobacco production is on the decline mainly as a result of a cost/price squeeze. Production costs are still increasing while the import parity price of imported tobacco is decreasing as a result of the strong SA Rand. This has a negative effect on domestic prices

Product		Area (ha)			Production	(MT)
	2003	2004	2005	2003	2004	2005
Fluecured	11,870	10,420	7,920	32,700	27,595	21,180
Air-cured	1,750	1,080	1,175	4,700	3,410	3,550
Oriental	0	0	0	0	0	0
Total	13,620	11,500	9,095	37,400	31,005	24,730

Trade

Imports are on the increase and reached 38,600 tons in 2004 after 29,900 tons were imported in 2003 and 25,700 tons in 2002. Brazil overtook Zimbabwe as South Africa's main supplier in 2004 highlighting the effect of the slowdown in Zimbabwean tobacco production.

Exports are declining in line with domestic production as the unwanted stocks decline. Zimbabwe shows up as an export destination as South African tobacco is exported to Zimbabwe for further processing.

Import Trade

Country	South Africa,		
Commodity	Tobacco, Total		
Time Period	Cy	Units:	MT
Imports for:	2003	2004	2004
U.S.	117	U.S.	517
Others	Others		
Brazil	5401	Brazil	12248
Zimbabwe	7113	Zimbabwe	4939
India	2417	India	2729
Argentina	63	Argentina	2693
Malawi	2025	Malawi	1992
China	3256	China	1833
Tanzania	722	Tanzania	1814
Uganda	1715	Uganda	1328
Paraguay	835	Paraguay	1063
Italy	76	Italy	944
Total for Others	23623		31583
Others not Listed	6120		6493
Grand Total	29860		38593

Export trade

Country	South Africa		
Commodity	Tobacco, Total		
Time Period	Jan-Dec	Units:	MT
Exports for:	2003		2004
U.S.	572	U.S.	322
Others		Others	
China	1779	China	2354
Hong Kong	60	Hong Kong	1911
Zimbabwe	3446	Zimbabwe	1749
Austria	0	Austria	806
Russian Fed.	930	Russian Fed.	804
Turkey	1892	Turkey	788
Germany	296	Germany	596
Armenia	254	Armenia	570
Nigeria	549	Nigeria	529
Vietnam	160	Vietnam	422
Total for Others	9366		10529
Others not Listed	6779		4619
Grand Total	16717		15470

Consumption

South Africa's tough anti-smoking laws, high duties on tobacco products and illegal sales are cutting consumption. Cigarette consumption varies between 23 and 25 billion a year and the equivalent of another 8 billion cigarettes are consumed in the form of other products. Over the past ten years cigarette consumption has dropped by about a third as the result of the strict laws and high taxes. It is estimated that illicit trade, including smuggled and counterfeit products, adds an additional 10 to 15% to consumption. In the 2005 budget customs and excise duties were increased by about 5 to 7%.

The latest excise duties are:

Cigarettes	R2.52/10 cigarettes
Cigarette tobacco	R19.45/kg.
Pipe tobacco	R7.62/kg.

The increase in duties and taxes over the past five years were:

Tobacco excise tax	Excise/20 cigarettes	14% GST/VAT*	Retail price
2000	R2.83	R0.98	R8.00
2001	R3.17	R1.06	R8.80
2002	R3.51	R1.19	R9.70
2003	R3.89	R1.32	R10.75
2004	R4.53	R1.49	R12.00
2005	R5.05	R1.66	R13.55

* General sales tax/Value added tax

The general rate of customs duty on imported cigarettes is 45% ad valorem while cigarettes from the EU pay 39.6% under the SA/EU trade agreement.

British American Tobacco (BAT), whose biggest brands include Rothmans and Peter Stuyvesant, holds a 93% share of the local tobacco market. Japan Tobacco International holds about 5% with brands such as Camel and Winston. Other big groups, such as Phillip Morris (Marlboro) and Gallagher (Silk Cut) are expanding in the market as it is considered a springboard to other African markets.